

Euro crisis Politicians put cart before the horse Roger Bootle B2



New chapter Daunting task for man who runs Waterstone's B4-5

Qatari wealth fund plans \$10bn gold buying spree

By Garry White

THE Qatari Royal family plans to spend up to \$10bn (£6.4bn) buying stakes in gold producers through their sovereign wealth fund, *The Daily Telegraph* can disclose. The fund is seeking to invest in a range of natural resources, but gaining access to physical gold is its top strategic priority. Yesterday, Qatar Holdings, which controls the wealth of the Middle East state's royal family, confirmed

it would invest about \$1bn in European Goldfields, a London-listed miner currently developing the largest gold-mining project in Greece. "Qatar Holdings have done a systematic and detailed study of the gold sector," said Ken Costa, who put the deal together. "They chose European Goldfields because [chairman] Martyn Konig is very experienced – a 30-year veteran in the gold market." While Mr Costa would not

9.9pc
The stake in European Goldfields bought by Qatari Holdings
comment on future likely targets, the Qataris are known to have been focusing in particular on opportunities in Africa and Russia. The valuation of North American gold miners was said to be too high.

The gold price has increased every year for the past 10 years as investor concern about the devaluation of global currencies, particularly the dollar, mounts. The price is up by 14pc this year, despite a recent correction, and currently sits at \$1,623.97 an ounce after it hit a record high of \$1,923.70 on September 5. However, shares in listed gold miners have underperformed this year, with European Goldfields shares down 41pc in the year to

date. This is despite the company receiving the long-awaited approval for its mines from Greek authorities in July. The Qatari fund has acquired a 9.9pc stake in European Goldfields from Greek construction group Ellaktor and one of its directors, Dimitrios Koutras. Qatar Holdings will also provide a \$600m loan facility at an interest rate of 7pc. Athens will be celebrating the bold investment move, as the Southern European country teeters

on the edge of default, because the deal represents a vote of long-term confidence in the troubled Greek economy. After securing the investment, about 1,500 jobs will be created in Greece. The deal was agreed by George Papandreou, Greek prime minister, and Sheikh Hamad Bin Khalifa Al-Thani, the ruling Emir of Qatar, on Saturday. Qatar Holding was advised by Credit Suisse, with Lazard and Liberum Capital advising European Goldfields.

Greece crisis set to trigger new credit crunch

By Harry Wilson, Banking Correspondent

THE global financial system is on the edge of a new credit crunch as the cost of insuring the bonds of banks across the world hits new highs, analysts have said. Credit default swaps on lenders as far afield as China and Australia – countries that until recently seemed immune to the chaos triggered by the Greek bail-out impasse – have doubled in the past two months to levels not seen since the financial crisis. In Europe, French and Belgian government officials are due to meet today to discuss the crisis enveloping Dexia as speculation mounts about a possible break-up of the Franco-Belgian lender.

The Telegraph

BoE could vote for money printing this week telegraph.co.uk/finance

Last week, the cost of insuring Dexia bonds hit an all-time high of 900 basis points, nearly double the level just two months ago, meaning the annual cost to insure £10m (£8.59m) of the bonds is £900,000. "The money ran out in June and what you are seeing now is the beginning of a new credit crunch, except this time it will be truly global, not Western," said one senior London-based credit analyst. Dexia, along with other European lenders, has been hard hit by the closure of the interbank lending markets and the continuing unwillingness of investors to buy the bonds of eurozone banks. "Nothing is really working at the moment. None of the markets are functioning. Until Greece defaults it's hard to see any resolution," said one senior London-based credit analyst. Greece's cabinet last night

approved large cuts in next year's budget – including axing 30,000 public sector jobs by December – under growing pressure from international creditors to take swingeing steps to address its deficit. The move came after Greek finance minister Evangelos Venizelos met experts from the European Union, International Monetary Fund and European Central Bank. They met ahead of today's meeting of the 17 eurozone finance ministers in Luxembourg, who will scrutinise the progress of Greek reforms that are necessary to secure the next €8bn tranche of bail-out funds. Under the new budget cuts, Greece's deficit is expected to fall from an above budget 8.5pc of GDP this year to 6.8pc per cent of in 2012.

The knock-on effects of the eurozone crisis saw the quoted cost of insuring the bonds of China's three lenders for whom prices are available close on Friday at the highest levels in more than two years. Credit default swaps on Bank of China bonds have more than doubled since the beginning of August and hit 316.53 basis points at the end of last week, their highest level since March 2009, while the lender's shares hit a 12-month low. "The worries on China's banks are around the slow-down in growth, however, the symptoms are the same as those we are seeing in Europe," said Simon Adamson, a banks analyst at CreditSights. A report published last week by CreditSights drew attention to the growing problems of the Chinese banking sector, with some estimates putting the proportion of the lenders' loan books that are non-performing at more than 40pc. Australian banks are among those getting caught in the new crunch. Credit default swaps on the bonds of National Australia Bank and Australia and New Zealand Banking Group last week reached 12-month highs.



Growing anger: police attempt to contain demonstrators affiliated with the Occupy Wall Street movement as they marched in New York against 'corporate greed'

Buffett says bankers feel 'unloved'

By Garry White

WALL STREET bankers are withholding funds from Barack Obama's re-election campaign because they believe they are unloved, Warren Buffett has warned. "Wall Street certainly doesn't feel loved," the billionaire investor said. "I think there was some rhetoric that contributed to that." Mr Buffett, a staunch backer of the president, argued that Mr Obama's

policies had helped banks recover from the recession – even though financiers think he has not embraced the industry. "You take the number of people making a million dollars or over on Wall Street and you can fill a very large auditorium," Mr Buffett said. "I think the president felt, 'My God, look at all the things we did for business, and they're unappreciative, and I'm all that stands between them and the pitchforks'."

American anger against Wall Street continues to grow, with hundreds of anti-capitalist activists being arrested over the weekend as they marched against "corporate greed". The protesters were arrested on Brooklyn Bridge for blocking traffic as the protests organised by the Occupy Wall Street campaign entered a second week. "Over 700 summonses and desk appearance tickets have been issued in connection

with a demonstration on the Brooklyn Bridge late this afternoon," the New York police said. Senior Republicans have accused the president of "class warfare" after he asked Congress to enact the so-called Buffett Tax on millionaires. Earlier this year, Mr Buffett said that rich people often pay less in tax as a proportion of their income than those who work for them due to loopholes in the tax code.

Enterprise zones to help BAE staff

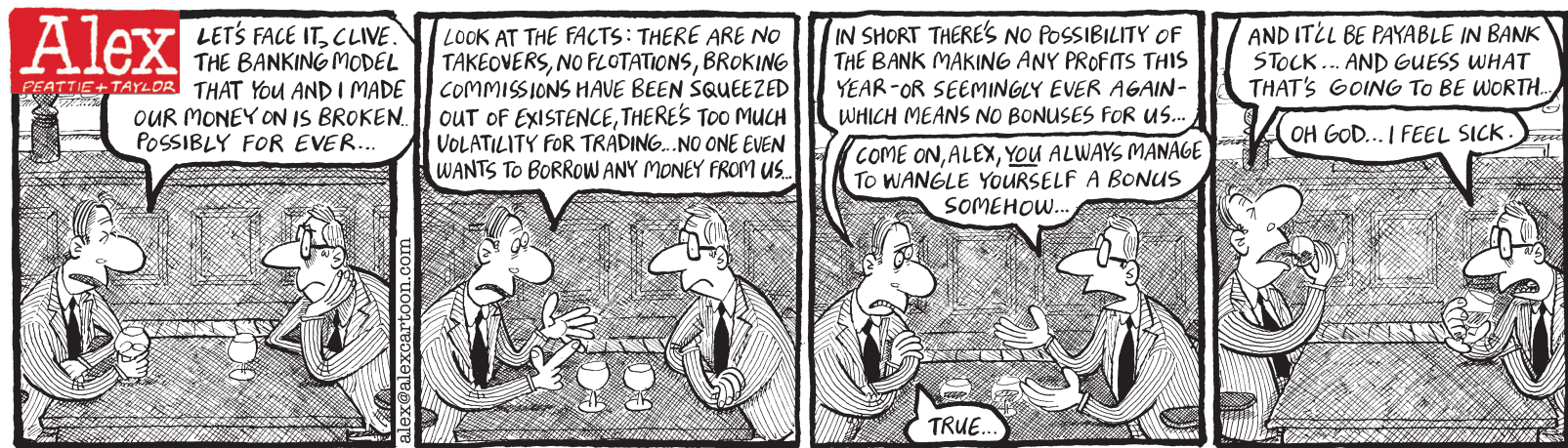
By Harry Wilson

NEW enterprise zones will be created in areas where BAE workers are being made redundant to help them find jobs, said George Osborne as the Government's economic plans came under attack. The Chancellor said two zones would be established in Lancashire and Yorkshire to provide assistance to BAE staff as the defence company pre-

pared to cut hundreds of jobs. "We are doing everything we can to create new jobs on those sites," said Mr Osborne, speaking on the eve of the Conservative Party conference

where he is expected to defend the Government's economic policy. BAE is cutting nearly 1,400 jobs from two sites in Lancashire and a further 900 in East Yorkshire. The arms maker yesterday confirmed it had won an order from the US Department of Defense to provide it with 70 M777 howitzers in a deal worth \$134 (£86m) that is expected to safeguard 380 jobs in Barrow-in-Furness.

Fears over new job losses across the UK have driven criticism of the Government's economic plans and in particular its austerity drive that some are blaming for the increase in unemployment. On Friday, Andrew Tyrie, the Conservative chairman of the Treasury Select Committee, hit out at the Government's economic plans, saying the Prime Minister and Chancellor needed to come up with a full plan for how they intended to boost growth. Mr Osborne is also facing pressure as Treasury officials have become concerned with the impact a break-up of the euro could have on Britain. In his speech at the conference today, he is expected to be optimistic about the country's economic outlook, but will also warn of the danger the eurozone crisis presents. Speaking last month, Mr Osborne said the break-up of the eurozone was "not in the interests of Britain". Some analysts worry that the problems of the eurozone countries could lead to new woes for Britain's partly-nationalised banks.



THE WEEK STARTS HERE

MARKET OVERVIEW

FTSE 100

5128.48

+61.67 +1.21pc

2011 High 6091.33

2011 Low 5007.16

Yield 3.78pc +0.04

P/E ratio 8.16 +0.10

BIGGEST RISER

WOLSELEY

1607p

+182p (13pc)

BIGGEST FALLER

MAN GROUP

168 1/2p

-63p (27pc)

DOW JONES

10913.38

+141.90 +1.32pc

LAST WEEK IN THE OTHER MARKETS

FTSE 250 9819.38 +4.38

FTSE All-share 2654.38 -129.27

Yield 3.66 -0.03

FTSE Eurotop 100 1928.98 +97.44

Nikkei 8700.29 +140.03

DJ Eurostoxx50 2179.66 +153.63

S&P 500 1131.42 -5.01

Nasdaq 2415.40 -67.83

COMMODITIES

WEEK-ON-WEEK CHANGE

GOLD

\$1616

-73.00 -4.31pc

BRENT CRUDE

\$102.76

-1.21 -1.16pc

CURRENCIES

FRIDAY CLOSE

£/€

1.1612

+1.24c

£/\$

1.5579

-1.01c

IWC Portuguese. Engineered for navigators.

The Portuguese Yacht Club Chronograph. IWC. Engineered for men.

IWC SCHAFFHAUSEN SINCE 1868

MALLORY

1-5 Bridge Street, Bath BA2 4AP

DEDICATED SPECIALIST WATCH SHOWROOM

01225 788 800

Contact Tom: tom@mallory-jewellers.com

www.mallory-jewellers.com